

Message Text

CONFIDENTIAL

PAGE 01 SINGAP 02914 270251Z

70

ACTION EA-14

INFO OCT-01 ADP-00 EB-11 INR-10 RSC-01 RSR-01 /038 W

----- 067617

R 250855Z JUL 73

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 9130

C O N F I D E N T I A L SINGAPORE 2914

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: EGEN

SUBJ: SENATE HEARINGS ON OPIC

REF: STATE 141296

1. IN EMBASSY'S JUDGEMENT, AVAILABILITY OF OPIC INSURANCE HAS BEEN OF ONLY MARGINAL IMPORTANCE IN DECISIONS OF AMERICAN COMPANIES TO INVEST IN SINGAPORE. PROSPECTS FOR LONG TERM POLITICAL STABILITY, HONEST AND EFFICIENT BUREAUCRACY, WELL PLANNED INDUSTRIAL ESTATES, AGGRESSIVE INVESTMENT PROMOTION INCLUDING TAX INCENTIVES, AND AVAILABILITY OF SKILLED AND DEPENDABLE WORKFORCE ARE MOST IMPORTANT FACTORS IN INVESTMENT DECISIONS. IN VIEW VERY FAVORABLE INVESTMENT CLIMATE, MAJORITY OF US INVESTORS HAVE FOREGONE OPIC COVERAGE. WHILE EMBASSY RECORDS ON OPIC APPLICATIONS NOT COMPLETE, THEY SHOW THAT OF 59 COMPANIES APPLYING FOR OPIC COVERAGE ONLY 19 POLICIES HAVE BEEN ISSUED, 7 OF WHICH ARE WITH G.E. OF ESTIMATED 450 MILLION DOLLARS US INVESTMENT, SLIGHTLY OVER 50 MILLION INVESTMENT IS COVERED BY OPIC. OF THIS, \$23.2 MILLION IS WITH MOBIL OIL AND \$8 MILLION WITH G.E. FOR SOME US FIRMS, SUCH AS G.E., OPIC COVERAGE IS CORPORATE POLICY. OTHERS HAVE WITHDRAWN THEIR APPLICATIONS FOR INSURANCE AFTER HAVING BECOME FAMILIAR WITH LOCAL SCENE. MAJORITY HAVE NOT APPLIED.

2. EMBASSY VIEW THAT OPIC DID NOT PLAY SIGNIFICANT PART IN DECISION OF MOST US COMPANIES TO INVEST IN SINGAPORE BORNE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SINGAP 02914 270251Z

OUT BY EMBASSY DISCUSSIONS WITH US COMPANIES AND ECONOMIC

DEVELOPMENT BOARD (EDB). THIS REQUIRES QUALIFICATION, HOWEVER, IN EARLIER PERIOD, BEFORE SINGAPORE HAD GAINED FULL POLITICAL INDEPENDENCE AND BEFORE IT HAD DEVELOPED ITS PRESENT POLITICAL STABILITY AND SOPHISTICATED APPROACH TO DEVELOPMENT, INVESTMENT INSURANCE DID PLAY A ROLE. DECISION BY MOBIL OIL IN MID-60'S TO MAKE MAJOR INVESTMENT IS BEST EXAMPLE OF THIS. THIS AND OTHER INVESTMENTS PRIOR TO LATE SIXTIES WERE IMPORTANT IN SETTING STAGE FOR SINGAPORE'S RAPID GROWTH AND FAVORABLE INVESTMENT CLIMATE.

3. SINGAPORE GOVERNMENT'S ECONOMIC DEVELOPMENT POLICY IS BASED ON FOREIGN INVESTMENT. FOREIGN MINISTER HAS DESCRIBED SINGAPORE AS GLOBAL CITY, MEANING THAT IT IS TO BE A REGIONAL CENTER IN MULTINATIONAL BUSINESS/ INDUSTRIAL NETWORK. EXISTENCE OF OPIC DIRECTLY COMPLEMENTS THEIR POLICY AND IS LOOKED ON WITH FAVOR. DIRECTOR OF EDB SAID THAT WHILE OPIC HAS NOT BEEN CRITICAL IN ATTRACTING INVESTMENT TO SINGAPORE, GOS FAVORS IT BECAUSE INVESTMENT IN SOUTHEAST ASIA WOULD SUFFER WERE OPIC INSURANCE NOT AVAILABLE WHICH, IN TURN, WOULD INFLUENCE SINGAPORE'S GROWTH PROSPECTS.

4. REQUIREMENT OF AGREEMENT ON SUBROGATION AND MANDATORY ARBITRATION DOES NOT CREATE DIFFICULTIES FOR GOS. SINCE SINGAPORE HAS NO NATURAL RESOURCES, EMBASSY UNABLE COMMENT ON RELATIVE MERIT OF ENCOURAGING INVESTMENT IN EXTRACTIVE VS MANUFACTURING INDUSTRIES.

5. SINCE OPIC INSURANCE WAS NOT INSTRUMENTAL IN THE DECISIONS BY US COMPANIES TO INVEST IN SINGAPORE, IT CANNOT BE SAID TO HAVE LED TO EXPORT OF AMERICAN JOBS. EVEN IF OPIC HAD STIMULATED THIS INVESTMENT, EMBASSY BELIEVES BALANCE OF PAYMENTS AND US JOBS BOTH ENJOYED NET GAINS FROM US INVESTMENT IN SINGAPORE. RAPID GROWTH (170 PERCENT) IN US EXPORTS TO SINGAPORE 1969 TO 1972 CAN BE ATTRIBUTED TO IMPORTANT DEGREE TO US INVESTMENT ACTIVITY IN SINGAPORE. ALSO, WE HAVE MOVED IN THAT PERIOD FROM POSITION OF SMALL OVERALL TRADE DEFICIT TO SURPLUS OF ABOUT US\$175 MILLION. SHOULD BE NOTED, HOWEVER, SIZEABLE VOLUME OF IMPORTS FROM US ARE REEXPORTED. BUT PUTTING ARGUMENTS ABOUT TRADE AND EMPLOYMENT EFFECTS OF FOREIGN INVESTMENT ASIDE, IT MUST BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SINGAP 02914 270251Z

REMEMBERED THAT OVERWHELMING MAJORITY OF US INVESTMENT CAME TO SINGAPORE WHEN US INFLATION AND CHRONIC B/P DISEQUILIBRIUM LED TO SEVERE OVERVALUATION OF DOLLAR. HOPEFULLY THOSE DAYS ARE BEHIND US.

6. SINGAPORE HAS ONLY ONE FORMAL AGREEMENT ON INVESTMENT GUARANTEES ALTHOUGH AGREEMENTS WITH GERMANY AND NETHERLANDS ARE BEING DISCUSSED. GOS IS NOT SURE HOW JAPANESE

INVESTMENT GUARANTEES WORK. SINGAPORE SIGNED TRUST AGREEMENT WITH BRITISH CROWN AGENTS STATING THAT EACH APPROVED INVESTMENT PROJECT WOULD HAVE TRUST FUND IN UK AGAINST WHICH INVESTORS COULD MAKE CLAIMS. INVESTOR PAYS QUARTER OF ONE PERCENT FOR EXPROPRIATION AND CONVERTIBILITY COVERAGE. TRUST FUNDS ARE EARMARKINGS OF SINGAPORE'S STERLING BALANCES. UPON RECEIPT OF CLAIM, CROWN AGENT APPOINTS ADJUDICATOR WHOSE DETERMINATIONS ARE FINAL.

7. STAFFDEL BLUM MET WITH GOS OFFICIALS, US AND LOCAL BANKERS AND VISITED TWO US MANUFACTURERS TO DISCUSS SINGAPORE AS FINANCIAL CENTER AND EFFECTS OF AMERICAN MULTINATIONALS ON US B/P AND ON SINGAPORE ECONOMY. BLUM'S CONCLUSIONS ARE INTERPRETED FROM DISCUSSIONS WITH HIM WERE:

1) US FIRMS IN SINGAPORE ARE NOT TAKING ADVANTAGE OF INCREASED COMPANY AWARENESS GAINED BY OFFSHORE MANUFACTURING TO PENETRATE THIRD COUNTRY MARKETS; 2) OPIC HAS PERHAPS OUTLIVED ITS USEFULNESS; 3) ASIAN DOLLAR MARKET WILL HAVE IMPACT IN FUTURE ON WORLD MONETARY SITUATION.
CRONK

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SINGAP02914
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS CRONK
Errors: N/A
Film Number: n/a
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730711/aaaaaibr.tel
Line Count: 135
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 STATE 141296
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 04 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04-Dec-2001 by kelleyw0>; APPROVED <26 FEB 2002 by worrelsw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SENATE HEARINGS ON OPIC
TAGS: EGEN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005